

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF MADAGASCAR
REGARDING THE REDUCTION OF
CERTAIN DEBTS OWED TO, GUARANTEED BY, OR INSURED
BY THE UNITED STATES GOVERNMENT AND ITS AGENCY

The Government of the United States of America (the "United States") and the Government of the Republic of Madagascar ("Madagascar") agree as follows:

ARTICLE I

Application of the Agreement

1. In accordance with the recommendations contained in the Agreed Minute on the Consolidation of the Debt of the Republic of Madagascar, signed in Paris on March 7, 2001 and amended on October 20, 2003, the applicable domestic laws of the United States and Madagascar, and the September 1999 commitment of the President of the United States to provide 100 percent debt forgiveness to certain Heavily Indebted Poor Countries, the United States and Madagascar hereby agree to the consolidation and reduction of certain Malagasy payments due as a result of debts owed to, guaranteed by, or insured by the United States Government.

ARTICLE II



Definitions

1. "Contracts" mean:

The bilateral debt rescheduling agreements concluded between the United States and Madagascar on August 9, 1989, June 19, 1991, and December 16, 1997, including the amendment concluded on June 5, 2003.

A table listing the relevant contracts to be included under the reduction is attached hereto as Annex A.

2. "Agency" means the Export-Import Bank of the United States ("Ex-Im Bank").

3. "Consolidation Period" means December 1, 2000 through November 30, 2004, inclusive, if the conditions set forth in Article IV, Paragraph 1 of this Agreement are satisfied.
4. "Consolidated Debt" means 100 percent of the sum of principal and interest due during the Consolidation Period under the Contracts.
5. "Consolidated Arrears" means 100 percent of the sum of principal and interest due and unpaid as of November 30, 2000, including Late Interest Charges, with respect to the Contracts.
6. "Minute" means the Agreed Minute on the Consolidation of the Debt of the Republic of Madagascar, signed in Paris on March 7, 2001 and amended on October 20, 2003.
7. "Participating Creditor Countries" means creditor countries that are signatories to the Minute.
8. "Completion Point" means the date on which the Boards of the International Monetary Fund ("IMF") and the World Bank decide that the Republic of Madagascar has reached its Completion Point as defined under the Enhanced Heavily Indebted Poor Countries Initiative.

ARTICLE III

Terms and Conditions of Payment

1. Subject to the terms of Article IV, the amount equal to 100 percent of the Consolidated Debt and Consolidated Arrears is hereby cancelled.

A table summarizing the amount of Consolidated Debt and Consolidated Arrears to be forgiven if the Consolidation Period covers the period from December 1, 2000 through November 30, 2004 is attached hereto as Annex B.

2. Adjustments in the amounts of Consolidated Debt and Consolidated Arrears may be made in writing, as necessary and by mutual consent.

ARTICLE IV

General Provisions

1. The Consolidation Period shall be the period from December 1, 2000 through November 30, 2004, inclusive provided Madagascar continues to have an appropriate arrangement with the IMF and that Madagascar has made all payments due under bilateral agreements that implement the terms of the Minute. If the



above conditions are not met, all payments that are due and payable under the Contracts, shall be payable according to the terms of such Contracts.

2. Madagascar shall seek to secure from external public or private creditors reduction arrangements on terms comparable to those set forth in the Minute for credits of comparable maturity, committing itself to accord all categories of creditors - in particular creditor countries not participating in the Minute, commercial banks and suppliers - a treatment not more favorable than that accorded to the Participating Creditor Countries.

3. Except as may be modified by this Agreement, all terms of the Contracts remain in full force and effect.

4. With respect to amounts owing to Ex-Im Bank under this Agreement, Madagascar (referred to as the "Government" in Annex C hereto) agrees to the additional terms and conditions set forth in Annex C.

Article V

Subsequent Debt Reduction

1. If Madagascar maintains satisfactory financial relations with all Participating Creditor Countries, signs and fully implements all external debt agreements, maintains a sound adjustment track record, and gets approved for Completion Point by the Boards of the IMF and the World Bank under the enhanced Heavily Indebted Poor Countries Initiative ("HIPC"), the United States agrees, in principle, to participate in a Paris Club meeting convened for the purpose of considering treatment of Madagascar's stock of debt. The United States agrees, in the context of equitable burden sharing among creditors to take such actions as it deems appropriate to enable Madagascar to reach its debt sustainability objective.

2. The United States agrees, in principle, to cancel 100 percent of the principal outstanding under the Contracts, as modified by this Agreement or any other agreements, if the Participating Creditor Countries, on or before such date, convene a meeting to discuss the treatment of Madagascar's stock of debt and agree at that meeting to reduce Madagascar's stock of debt.

3. If following the expiration of the Consolidation Period, but prior to the meeting referred to in Article V, Paragraph 1, the Paris Club determines that conditions in Madagascar warrant additional interim debt relief, the United States shall cancel 100 percent of Madagascar's principal and interest on debt contracted before June 20, 1999 falling due during the extended interim period agreed to by the Paris Club.



ARTICLE VI

Suspension or Termination

1. The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Madagascar.
2. This Agreement may be amended or modified by mutual consent of the United States and Madagascar.

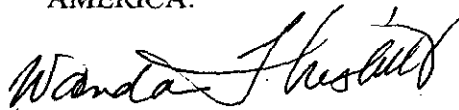
ARTICLE VII

Entry into Force

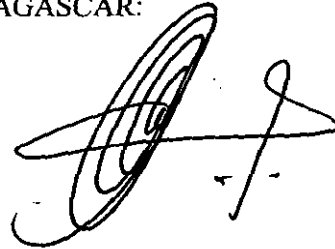
This Agreement shall enter into force following signature of the Agreement and written notice to Madagascar by the United States that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Antananarivo, Madagascar, in duplicate in the English and French languages, both texts being equally authentic, this seventh day of January 2004.

FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:

A handwritten signature in cursive script, appearing to read "Wanda Huston".

FOR THE GOVERNMENT OF
THE REPUBLIC OF
MADAGASCAR:

A handwritten signature in cursive script, consisting of a large, stylized initial 'J' followed by a horizontal line and a final flourish.

ANNEX A
CONTRACTS SUBJECT TO REDUCTION

Export-Import Bank
Loan Number

R0129

R0159

R0229

ANNEX B
SUMMARY OF CONSOLIDATED DEBT AND
CONSOLIDATED ARREARS
(Thousands of US dollars)

EXIM \$4,500



ANNEX C
ADDITIONAL TERMS AND CONDITIONS WITH RESPECT TO
AMOUNTS OWING TO EX-IM BANK

The Government of the Republic of Madagascar, (hereinafter referred to as the "Government"), agrees to the following additional terms and conditions with respect to the amounts owing to Ex-Im Bank, guaranteed by Ex-Im Bank, or insured by Ex-Im Bank, pursuant to the attached Agreement between the United States of America and the Government:

A. Representations. The Government represents and warrants that it has taken all actions necessary or advisable under its laws and regulations to authorize the execution, delivery and performance of this Agreement and that this Agreement constitutes the valid and binding obligations of the Government, enforceable against the Government in accordance with its terms and for the performance of which the full faith and credit of the Government is pledged. The Government acknowledges that the activities contemplated by this Agreement are commercial in nature rather than governmental or public and agrees that, to the extent that it has or hereafter may acquire immunity from suit, judgment and/or execution, it will not assert or claim any such right of immunity with respect to any action by Ex-Im Bank to enforce the Government's obligations under this Agreement.

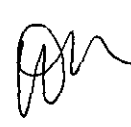

B. Miscellaneous Provisions.

1. Expenses. The Government shall pay on demand all reasonable costs and expenses incurred by or charged to Ex-Im Bank in connection with or arising out of this Agreement, including without limitation costs and legal fees incurred by or charged to Ex-Im Bank in connection with the enforcement of this Agreement.

2. Adjustments. On or about 135 days after the execution of this Agreement, Ex-Im Bank shall inform the Government of the actual amounts to be reduced hereunder. The parties hereto agree to make any necessary adjustments to the amounts being reduced.

3. Communications. All communications between the Government and Ex-Im Bank under this Agreement shall be in writing, in the English language (or accompanied by an accurate English translation). All communications to the Government shall be addressed to the Government at the address designated by the Government from time to time in writing to Ex-Im Bank; all communications to Ex-Im Bank shall be addressed to Ex-Im Bank at the following address:

Export-Import Bank of the United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571
Attention: Treasurer-Controller



Telex: 89461 EX-IM BANK WSH
197681 EXIM UT
Facsimile: (202) 565-3294
Reference: Ex-Im Bank Loan R-263

4. Governing Law. The Ex-Im Bank portion of this Agreement shall be governed by and construed in accordance with, the laws of the District of Columbia, United States of America.

